



# Member News

## Summer 2010

### Retirement Board

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## Ready to Retire?

Once you are within six months of the date you plan to retire, you should contact our office and request a benefit estimate and the retirement application packet to be completed and submitted to our office prior to your retirement date.

The benefit estimate will give you the approximate amount of the highest benefit available based on your average salary and projected service credit. We can also provide you with a breakdown of the optional benefit amounts that provide a continuing benefit upon your death as a retired member to one beneficiary of your choice. Your benefit will be actuarially reduced to pay for the beneficiary protection based on your and your beneficiary's age.

Benefit estimates may also be calculated by you, through your on-line member account at [www.nvpers.org](http://www.nvpers.org).

You may submit your retirement application to the PERS office by mail or

in person. Regardless of how you submit your application, PERS will confirm the receipt of your application in writing.

Retiring members should read the Pre-Retirement Guide provided with your retirement application packet or the version available on our website.

Your retirement date will be the day following your termination date, the day immediately following the expiration of your service credit, the date your application is received in the PERS office, or a future date you specify on your application.

You should also notify your public employer of your retirement date, contact the administrator of your health insurance plan and the Social Security Administration, if applicable.

If you have questions about retiring or would like to schedule an appointment to meet with a counselor or attend a group counseling session, please contact our office.

## Coming Soon to a Rural Area Near You!

PERS counselors will be traveling to the rural communities this fall to provide group retirement counseling sessions.

As you arrive for the group session, you will be provided with a benefit estimate based on your personal service credit history. During the group presentation, members follow along as the counselor explains each section of the estimate. Along the way, the counselor will explain a variety of other important topics such as survivor benefits, post retirement increases, how to complete the retirement application and more. Throughout the presentation, attendees are encouraged to ask additional questions they may have.

At the conclusion of the presentation, the counselor stays to meet individually with members who wish to complete and submit their retirement applications. Group counseling has proven to be a valuable tool to accommodate the increasing number of members wishing to learn more about their pension. In addition, members find that the questions asked by others are often helpful in their own retirement planning.

Space is limited and reservations are required. Rural counseling announcements are emailed to your public employer who is responsible for forwarding or posting the announcements for the employees of their agency.

If you are interested in attending an upcoming group counseling session, please watch for those announcements and contact our office directly at 1-866-473-7768 to make a reservation.

# EXECUTIVE OFFICER APPOINTED TO

## FEDERAL RETIREMENT THRIFT INVESTMENT BOARD

Dana Bilyeu, Executive Officer of Nevada PERS, was nominated by President Obama for appointment to the Federal Retirement Thrift Investment Board (FRTIB). On June 24, 2010, her appointment was confirmed by the Senate. The position is advisory in nature.

The Federal Retirement Thrift Investment Board administers the Thrift Savings Plan (TSP) and is an independent Federal Government agency that is overseen by five presidentially appointed board members and an Executive Director. The TSP is a retirement savings and investment plan for federal employees and members of the uniformed services, including the Ready Reserve.

Mrs. Bilyeu was previously appointed by President Bush to the Social Security Advisory Board (SSAB). The SSAB was created in 1993 to advise the President, Congress and the Commissioner on all matters pertaining to Social Security. Her term on the SSAB expires in September 2010.

## **Defined Contribution Plan Study**

In the spring of each even-numbered year, the Retirement Board begins the process of determining the anticipated costs associated with potential fiscal legislation. Requests for legislation may come from the Board, staff, members, retirees, employers, employee associations, and the public.

At this time, the main benefit modification that is actively being discussed by various associations and other members of the public is the proposal to convert the System from a defined benefit plan to a defined contribution plan. Variations on this proposal include closing the current plan and providing only a defined contribution plan for new hires (this would not affect current members or retirees). There are significant cost and policy issues related to such a conversion, both for current participants and for those who have not yet

entered the workforce. Such costs include the acceleration of the payment of the unfunded liability of the System as well as administrative and investments cost. While these types of proposals have been analyzed in other states, no formal cost and policy analysis has been prepared for Nevada.

The Board authorized staff to conduct a study using the system's actuary, the Segal Company. Broad policy analysis will be conducted in concert with staff, as well as other nationally recognized retirement policy experts. A formal report to the PERS Board will be provided in the fall.

## **Tax Credit for Retired Public Safety Officers**

An annual tax exclusion up to \$3000 is allotted for retired public safety officers who have a deduction from their PERS check for medical, dental, vision and/or long-term care insurance. Section 845 of the Pension Protection Act allows for this benefit which includes the deduction that provides coverage for the public safety officer, the spouse, and dependents.

A public safety officer includes law enforcement officers, firefighters, chaplains for a police or fire department, and members of a rescue squad or ambulance crew. In order to qualify for the tax exclusion, an individual must be in a public safety officer position at the time of retirement and receive a benefit that has not been reduced for early retirement or be retired under a disability retirement with PERS.

If a retiree meets the conditions outlined, a Public Safety Officers Tax Exclusion Agreement should be completed and submitted to the PERS office. This form can be mailed to you or it can be accessed through our website: [www.nvpers.org](http://www.nvpers.org). Retirees' who have already submitted the form to the PERS office need not do so again.

Your health plan or insurance carrier must also enroll in the program with PERS. Once you have submitted your form, we will verify that your insurance carrier is enrolled as well.

Newly retired public safety officers should complete the required paperwork and submit it to the PERS office. The retired public safety officer will then be eligible to take a tax credit equal to the amount of insurance deducted from the monthly check during the tax year not to exceed \$3000. The tax credit starts in the calendar year in which the retired member enrolled in the program.

# PERS' Funding Facts

## **\*The System is sustainable in the short-term and in the long-term.**

The PERS' trust currently holds \$22 billion in assets to support its ability to pay retirement benefits, and the actuarial funding mechanism absorbs current and future pension costs in today's contribution rate. The System's finances are measured, reviewed and audited on an annual basis and comply with all applicable accounting requirements and disclosures.

## **\*There is no funding crisis at PERS.**

The most significant portion of PERS' unfunded liability is being retired over the course of the next 26 years in a prudent and methodical manner that ensures intergenerational equity among current and future employees. PERS is well-positioned to pay retirement benefits in the short and long-term through the current financing mechanism.

## **\*The contribution rate is shared equally between the employer and employee.**

All PERS members share one-half the cost of financing their retirement. The contribution rate is set based on valuations conducted by independent actuaries so that each employee, along with his employer, prefunds his retirement benefit throughout his entire career. Each employee shares equally with his employer in any contribution rate increases or decreases that the independent actuary determines is necessary to prefund the benefit.

## **\*PERS' retirement benefits are reasonable.**

Nevada law states that part of the mission of PERS is to attract and retain quality public employees by providing a reasonable base income in retirement, and the facts confirm that PERS is accomplishing that mission in a very prudent, cost effective manner. The average teacher or state employee retires at age 61 and receives a monthly PERS' benefit of \$2,428.00, without a Social Security benefit.

## **PERS Generates 10.8% Return for Fiscal Year 2010**

Stock markets rebounded from their lows of the prior year, helping PERS generate a 10.8% return for fiscal year 2010 (net of fees). The PERS fund ended the 2010 fiscal year with \$20.9 billion in assets, and for the last 26 years PERS has generated an average annual return of 9.1%.

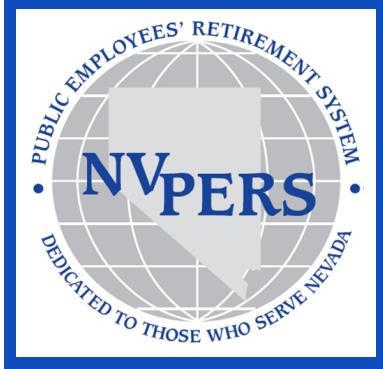
Through one of the most volatile investment markets in history the fund has generated better returns than its peers with less risk. For the last 3 years (encompassing the recent bear market and recovery), PERS' investment return ranks in the top 30% with the associated risk ranking in the bottom 23% versus large public pension funds. PERS' risk profile is one of the lowest among state pension plans for long term periods, and the fund ranks in the top 20% in terms of risk/return efficiency.

Warren Buffett said, "*the stock market is designed to transfer money from the active to the patient.*" At Nevada PERS, our patience is our competitive advantage. The uncertainty of today's investment environment has caused some investors to drastically alter their strategy. It is precisely at times like this that the disciplined implementation of PERS' long term investment plan is most critical.

Many investors are betting that stocks will not recover after a decade of poor returns. As a result, some institutions are reducing their allocations to U.S. stocks and adding riskier and more expensive alternative strategies such as hedge funds.

However, after the last three recessions (1982, 1994 and 2002), U.S. stocks generated an average 5 year annualized return of 19.3%. Given that this most recent recession was deeper and stocks fell further, historical experience bodes well for future return expectations. In addition, when compared to bonds, stocks are trading near their cheapest valuation levels in the last 20 years. PERS' consistent commitment to stocks supports the Board's strategy of investing in assets before they become popular, not the other way around.

PERS' common sense investment philosophy of maintaining consistent exposure to the capital markets and systematically buying assets at lower prices and selling them at higher prices is simple, but effective. It has been the formula for success for PERS in the past, and we expect that will continue to be the case going forward.



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## ***Electronic Distribution of Your Member Newsletter***

In effort to reduce costly printing and mailing of Member Newsletters, PERS began distributing the newsletters electronically a little over a year ago. As an active member of PERS, you can expect to receive four PERS member newsletters each year via email. The newsletters are electronically distributed to your agency's designated Liaison Officer and Deputy Liaison Officers who are then responsible for forwarding the newsletter to PERS eligible members within the agency. This is also a much faster and easier way for your agency to distribute the newsletters to you.

All newsletters are also posted to our website: [www.nvpers.org](http://www.nvpers.org). A historical archive of newsletters can be viewed and/or printed from our website.

It is the duty of the PERS Liaison Officer and Deputy Liaison Officers to coordinate retirement matters between PERS which involve the distribution of important information from PERS to members of participating public employers. If you have not been receiving the PERS Member Newsletter via email or are unable to receive email, please contact your Liaison Officer.

**Questions?**

**Call us toll free 1-866-473-7768**

This publication is intended to provide general information. If there is any conflict between this information and Nevada laws or PERS policies, the laws and policies will supersede this information. *Member News* is a quarterly newsletter for active members and benefit recipients of the Public Employees' Retirement System of Nevada. Comments or suggestions may be directed to: PERS, Newsletter, 693 W. Nye Lane, Carson City, Nevada 89703.